Micro-Products Triumph on the Internet
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Companies that work on the Internet have found that low priced products have spurred their sales and growth. Music is one of the sectors that most benefits.

Buying songs on the Internet for less than a dollar, getting mobile ring tones for less than two dollars or accessing files on the office computer from anywhere for less than ten dollars a month, are just some examples of the so called micro-commerce.

It’s all about the sale of products and services at very low prices or monthly quotas, which is an activity that is becoming more and more popular.

According to Gartner, by 2010 sales of goods of less than 5 dollars will reach 30,000 million dollars. InStat/MDR calculates that mobile phone games will rise to 3,000 millions by 2006. ARC Advisory Group saw how mobile phone ring tones hit 3,500 millions in 2003. Forrester Research predicts that the online music business will reach 3,200 million dollars by 2008.

The digitalisation of a wide range of markets (like the music market) allows companies to sell their products loosely, that is, breaking down the content or functionalities of a product, thereby offering their customers everything individually so that they can just pay for the part they want. In this way, the offer is much more flexible and the price falls if the customer only wants a small part of the product.

At the same time, the hyper-competition, the constant appearance of new technologies and the deregulation of markets have reduced the life cycle of products and put the pressure on companies to answer the needs of customers and adapt the format and marketing of their products and prices to their preferences. So, now the customers are the ones who play a more active role in the definition of the supply.

From the point of view of the enterprises, although the Internet has meant a greater market transparency (comparison of prices and offers is getting easier and faster), it has also let the companies get to know their customers much better and so gives them the opportunity to provide offers and personalised products faster and cheaper.

Impact
Undoubtedly, micro-commerce expands the opportunities for electronic sales even more. They have a significant impact on the software industry, for instance. The sale of software products in ASP format (rental) lets the user avail of advanced software solutions at a reduced monthly charge, without having to pay up front for licences or the high cost of implementation. This has created a radical change in the design and sale of the new software solutions that have appeared on the market. For example, the remote
access products that American companies offer such as GoToMyPC by Citrix, MyWebExPC by WebEx, or European products like Conectem by NTR, let a user have access to all the resources of his company computer from any PC for less than 10 dollars per month.

Besides these factors there are the new micro-payments and delivery infrastructures through the mobile phone or the valid payment systems that are available on a number of websites, such as eBay’s Paypal. This goes beyond the payment per transaction and is not subject to commissions for each payment, which is what currently happens with credit cards. This allows one to pay for small and repetitive purchases at a reduced cost.

The main problem for the consolidation of micro-sale is the public objective. According to Nielsen, the over 12’s is one of the most promising markets in this sector as they are heavy users of games and videos. However, not having a credit card is a major barrier for them.

Apple, with its iTunes, has shown that it is possible to overcome this type of obstacle, by allowing parents to set up allowance accounts for their children.

**Keys to success**

Although it is always difficult to give useful generalised recipes for all the sectors and businesses, if micro-commerce is to be successful the companies must personalise, as far as possible, the proposal of value for the customer, facilitate the interaction of the user with the product free of charge, at least for a certain time, and then boost the word of mouth advertising, which is something the early adopters can do.

The companies that are committed to innovation in the design and marketing of their products and prices, incorporate the new micro-payment solutions, promote a corporate culture that favours the innovative spirit, set up fast project management processes and launch new products, will the ones best prepared to get the most out of the challenge the increase in micro-commerce entails.

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**What consequences will micro-commerce have on the marketing strategies of companies?**

**More Fragmentation**

**Brian Subirana, IESE professor**

Micro-commerce involves the possibility of fragmenting the delivery of the products. For example, nowadays you can pay to buy one song, to listen to it once and why not for every second you listen to it. I think that in the future we will pay on a routine basis to use software agents that do specific tasks, such as the search for an offer, making a backup copy of a certain file or to access the personal data of a user. The said payments will be made depending on the success of the task that was required. Until there are such people as info-mediaries, the said services will need to be promoted through subscriptions given the complexity of establishing automatic or specific relationships. The placement of micro-commerce products and services will be consolidated in the agreements with traffic creators including generalised portals and specific web pages.
Contrary to what many have said, I believe that we are moving towards a world in which businesses will be able to make it very difficult to make comparisons by sophisticating pricing depending on the pattern of use and multiple compensations.

**Impulse Shopping**  
**Javier Vello, Senior Manager at PwC**

The digitalisation of content and its fragmentation is enabling the design of new products stemming from the traditional content. Songs, the goals of your favourite team, news or ring tones turn into *packaged* products for the occasion, with a very short life cycle and with a very clear tendency towards impulse shopping.

The low cost of the product is an attractive shopping factor. However, this appealing price must go hand in hand with the right moment to buy.

The companies are able to design these new products but they must link the creation of the product with the shopping opportunity in the mind of the consumer. It is necessary to create this impulse to buy through marketing actions crossed with the access channels to the consumer (i.e. television, radio, the Internet) and the creation of communities of interest, where the user enters knowing that he will find content of his interest at reasonable prices.

It is also important for consumers, above all if we are dealing with impulse shopping, that the final process, that of payment, is fast and does not entail many transactions nor aspects of confidentiality that can be violated. In this sense, micro-payments via the mobile phone may well be a simple alternative when buying these products.